

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 8112**  
**BILL NUMBER: SB 452**

**DATE PREPARED:** Jan 17, 2001  
**BILL AMENDED:**

**SUBJECT:** Tax Credit for Dependent Care.

**FISCAL ANALYST:** Brian Tabor  
**PHONE NUMBER:** 233-9456

**FUNDS AFFECTED:** ☒ **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues			(12,300,000)
State Expenditures			
Net Increase (Decrease)			(12,300,000)

**Summary of Legislation:** This bill provides a dependent care tax credit against an individual's Indiana Adjusted Gross Income Tax for employment-related dependent care expenses. It specifies that the credit is equal to 25% of the federal dependent care credit for which the taxpayer is eligible for the taxable year for federal income tax purposes.

**Effective Date:** January 1, 2002.

**Explanation of State Expenditures:** The Department of State Revenue (DOR) will incur some administrative expenses related to the revision of tax forms, instructions, and computer programs to incorporate this credit. These expenses could be absorbed given the DOR's existing budget and resources.

**Explanation of State Revenues:** This bill provides a credit against an individual's Adjusted Gross Income (AGI) Tax liability for employment-related dependent care expenses. For purposes of this credit, dependents are considered to be children under thirteen years old and any other dependents (including the spouse of the taxpayer) who are physically or mentally incapable of self-care. The credit would be equal to 25% of the amount claimed on the taxpayer's federal return for the similar Child and Dependent Care Credit. The credit would also not be refundable if the amount exceeds a taxpayer's liability in a given tax year.

*Data and Estimation:* Based on federal tax data from the DOR, 115,595 Indiana residents claimed more than \$45.6 M in Child and Dependent Care Credits in 1997. The average amount claimed was \$394. In 1996, 114,669 taxpayers claimed over \$44.9 M for an average credit of \$391. Assuming the growth in the number of taxpayers claiming this credit and the amount claimed continue to grow at 1996-1997 rates, by the 2002 tax year 120,300 taxpayers will claim \$49.1 M in credits, or about \$408 each. Since the credit provided for in this bill is equal to 25% of the federal Child and Dependent Care Credit, the impact of this bill would be a \$12.3 M reduction in state revenue in FY 2003 (120,300 taxpayers multiplied by 25% of \$408).

Individual AGI Tax revenue is deposited in the General Fund. This credit is effective January 1, 2002, and would impact state revenue beginning in FY 2003.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** DOR's 1996-97 federal income tax data.